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UNCLAS SECTION 01 OF 02 BEIJING 001149

SENSITIVE
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STATE PASS USTR FOR STRATFORD AND KEMP
DEPT OF COMMERCE FOR DAVID SPOONER, RONALD LORENTZEN AND MATTHEW
PRIEST

E.O. 12958: N/A

TAGS: [ETRD](#) [EIND](#) [EMIN](#) [KFPC](#) [CH](#)

SUBJECT: CHINA EXPRESSES CONCERN OVER OCTG AND TIRES TRADE CASES

1.(SBU) SUMMARY: On April 27, the Charge met with Ministry of Commerce (MOFCOM) Vice Minister Zhong Shan at Zhong's request to discuss two recent U.S. trade remedy petitions regarding OCTG (steel pipe) and consumer tires. The Chinese requested the U.S. exercise prudence in the cases, arguing that the difficulties of U.S. industries were caused by the economic downturn and that trade remedy measure would be unlikely to help. China also noted that the actions could set a negative precedent for third countries eager to justify protectionist trade measures, and were counterproductive to our joint efforts to fight the global financial crisis (GFC). The Charge said the USG would take Chinese concerns into account to the extent allowed by U.S. trade law. END SUMMARY.

OCTG AND TIRE CASES VERY IMPORTANT TO CHINA

12. (SBU) On April 27, the Charge met with MOFCOM Vice-Minister Zhong Shan, at MOFCOM's request, to discuss two recent trade case petitions for steel pipe and tires. The two petitions of concern to the Chinese are an antidumping and countervailing duty (AD/CVD) petition on oil country tubular goods (OCTG) filed by U.S. producers to the U.S. Commerce Department (DOC) and a China-specific 421 safeguard petition regarding consumer tires filed with the U.S. International Trade Commission (USITC). Due to MOFCOM Minister Chen Deming's current visit to the U.S. on a trade mission, the Chinese side was represented by VM Zhong, as well as three deputy-director generals (DDGs) from the Department of Foreign Trade, the Department of Treaty and Law, and the Bureau of Fair Trade for Imports and Exports.

CHINA REQUESTS U.S. PRUDENCE

13. (SBU) VM Zhong opened by stressing the mutual importance of commercial relations between the U.S. and China, and said that given the current GFC, the two countries must work closely together to resolve trade friction and avoid protectionist measures. He stated that China attaches great importance to the OCTG and tires petitions, not only because of the large number of Chinese producers involved, but also for the example it sets for third countries. VM Zhong noted that the timing of the cases had not been in favor of finding a solution, but he believes that a resolution to the issue is in the interest of our combined efforts to counter the GFC. He hopes the U.S. will exercise prudence regarding these two cases.

TRADE CASES WON'T HELP U.S. INDUSTRY

14. (SBU) VM Zhong expressed his view that even if the USG implements trade remedy measures for the two petitions, these actions would be unlikely to help the U.S. OCTG and tire industries. He thus believes it makes more sense for the two countries to find a mutually agreeable solution. China believes the current situation of U.S. producers may have been caused by slack demand due to the economic slowdown. GOC and Chinese industry remain open to discuss

arrangements on prices and quantities to promote development of these industries.

U.S. SHOULD CONSIDER THE LARGER TRADE PICTURE

15. (SBU) VM Zhong noted that the GOC also receives industry pressure on trade. During the National People's Congress (NPC) in March, many NPC deputies requested to meet with him to express their concerns over the restrictions on exports to the U.S. of Chinese cooked chicken, or regarding imports to China of U.S. soybeans. These concerns are understandable, but MOFCOM considered the overall bilateral trade picture and helped persuade industry of the benefits of the broader relationship. He hoped the USG would also work to help its industry understand the benefits of trade.

CHINA HOPES TO AVOID A TRADE WAR

16. (SBU) VM Zhong expressed MOFCOM's concern that given the GFC, if the two countries fail to resolve these cases and the result is trade remedy measures, it will embolden third countries to use similar methods to protect domestic industry. Some of those countries are hoping for a trade war with China. China believes such action would not be in the interest of our common objective to resolving the GFC as quickly as possible. He reemphasized his desire to focus on the larger trade picture. China, as the largest developing country, and the U.S., as the most powerful developed country, have complementary markets. VM Zhong is confident that the prospects for increased bilateral trade are great. But he warned that if trade friction with the U.S. got out of hand, the two countries could risk descending into a trade war.

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17. (SBU) The Charge thanked VM Zhong for his frank opinions, and promised to report the GOC concerns to the USG. He stated the U.S. understands the importance China attaches to the two petitions, as evidenced by the high-level representation at the meeting. But the petition themselves originated from similar concerns, and were initiated by U.S. industry and unions representing U.S. workers. As such, the USG is under a legal obligation to consider these requests and conduct investigations if the petitions meet the requirements of U.S. trade law. He noted that if, as required by law, there is a decision to proceed on the OCTG case, it does not mean that our dialogue has failed. He asked that the GOC respect the U.S. process, which would include careful investigation and analysis before any recommendation or action.

18. (SBU) The Charge concluded by emphasizing that as close trading partners, it is natural for China and the U.S. would have differences regarding certain trade matters. The U.S. appreciates the practical approach taken by the GOC on the cooked poultry and soybean issues, and looks forward to continued discussion on such issues. The USG is working hard on the poultry issue, and appreciates China's efforts on soybeans. He assured the Chinese that the concerns they expressed would be taken seriously by the USG.

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